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PAGE 01 TRIPOLI 00791 211636Z

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INR-07 L-04 NSAE-00 NSC-10 P-03 RSC-01 PRS-01 SS-20
USIA-12 AID-28 COM-08 EB-15 FRB-02 TRSY-11 XMB-06
STR-08 INT-06 CEA-02 RSR-01 /204 W

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AMEMBASSY BEIRUT
AMEMBASSY ALGIERS
AMEMBASSY KHARTOUM
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY TEHRAN

C O N F I D E N T I A L TRIPOLI 0791

SUBJ: OIL NEGOTIATIONS

REF: TRIPOLI 789

1. LIBYAN NEWS AGENCY RELEASE, CARRIED LOCAL PRESS APRIL 20, CLOSES BOOK ON PETROLEUM MINISTRY'S POSTED PRICE COMMITTEE AND AMOUNTS TO POLICY STATEMENT BY NEW OIL NEGOTIATING COMMITTEE CHAIRMAN GAGHRABI.

2. IN NEWS RELEASE, MINPET MABRUUK ASSERTED MINISTRY'S COMMITTEE HAS COMPLETED ITS WORK, AND SAID MINISTRY'S EFFORTS YIELDED OFFERS FROM SOME COMPANIES WHICH MINISTRY REJECTED BECAUSE OF CONDITIONS ATTACHED.

3. NEW COMMITTEECHAIRMAN, MAGHRABI, IS CITED AS JUSTIFYING PRICE INCREASE BY QUALITATIVE AND GEOGRAPHIC ADVANTAGES OF LIBYAN CRUDE. MAGHRABI STATED HIS COMMITTEE WILL BEGIN BILATERAL TALKS WITH COM-

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PAGE 02 TRIPOLI 00791 211636Z

PANIES AS SOON AS PRICE ANALYSIS AND PREPARATION OF LARG'S CONTINGENCY PLANS COMPLETED. MAGHRABI QUOTED AS SAYING "THERE ARE NO LIMITS TO ALTERNATIVES WHICH COULD BE APPLIED IF COMPANIES CONTINUE TO INSIST UPON DRAINING WEALTH OF THE PEOPLE."

4. MAGHRABI PORTRAYED RECURRENT PRESS SPECULATION THAT LARG SEEKING TEN CENT PRICE INCREASE AS RUMOR INSPIRED BY COMPANIES SO THAT YIELDING UP TO THIS AMOUNT WOULD LULL LARG INTO THINKING IT HAD ACHIEVED VICTORY. MAGHRABI REJECTED TEN CENT FIGURE AS INADEQUATE, ADDING THOSE COMPANIES DETERMINED TO MAINTAIN TEN CENT CEILING SHOULD SAY SO TO AVOID WASTING COMMITTEE'S TIME IN FRUITLESS DISCUSSION. MAGHRABI ALSO NOTED IT QUOTE ESSENTIAL UNQUOTE THAT PRICE INCREASE BE RETROACTIVE, BUT WITHOUT SPECIFYING DATE.

5. MAGHRABI NOTED HIS VIEW OF CONCESSION AGREEMENTS AS ADMINISTRATIVE CONTRACTS MEANT LARG HAD WIDE RANGE OF PREROGATIVES TO EMPLOY IN DEALING WITH COMPANIES.

6. SPEAKING ABOUT CONTENT OF NEGOTIATIONS, MAGHRABI SAID COMMITTEE'S BASIC TASK IS TO SECURE EQUITABLE PRICES, BUT COMMITTEE IS PREPARED TO LISTEN TO COMPANIES' VIEWS AND DISCUSS ALL RELATED ISSUES. NEGOTIATIONS, HE SAID, WOULD NOT DRAG ON FOR YEARS, AS HAD BEEN CASE IN OTHER COUNTRIES, SINCE AGE OF SQUANDERING WEALTH OF THE PEOPLE IS OVER.

7. COMMENT: IN HIS SWAN SONG AS LARG'S TOP OIL NEGOTIATOR, MABRUUK SERVED NOTICE THAT IF PRICE DEAL INVOLVES SETTLEMENT OF OTHER ISSUES ON TERMS FAVORABLE TO COMPANIES RESPONSIBILITY COULD NOT BE PLACED ON HIM, WHILE MAGHRABI'S STATEMENT ADMITS CONSIDERATION OF PACKAGE SETTLEMENT. WITHOUT THIS FLEXIBILITY, POSSIBILITY OF NEGOTIATED SETTLEMENT WOULD BE DIM.

8. ON AMOUNT OF INCREASE, MAGHRABI SEEMED DETERMINED TO SCOTCH TEN CENT FIGURE APPROPRIATED BY LOCAL PRESS FROM STATEMENTS OF OLD REGIME OFFICIALS IN ABSENCE OF ANY SPECIFIC PUBLIC COMMENT BY LARG ABOUT ITS PRICE OBJECTIVE. APART FROM THIS, WE DO NOT CONSIDER MAGHRABI'S ATTACK ON TEN CENT FIGURE SIGNIFICANT, SINCE IT HAD SEEMED TO US UNLIKELY LARG WOULD SETTLE ONLY FOR ACCOMPLISHING OBJECTIVE SET BY OLD REGIME. DIFFERENCE BETWEEN WHATEVER ESSO OFFERED AT ITS APRIL 11 MEETING WITH MABRUUK (PROBABLY LESS THAN TEN CENTS) AND MINISTRY'S LAST DETAILED POSITION (13 CENTS IN 1965 - RISING TO 23 CENTS BY 1975) WILL NOT BE EASILY RECONCILED. ONLY OFFSETTING

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PAGE 03 TRIPOLI 00791 211636Z

ADVANTAGE WE SEE TO HARD LINE TAKEN BY MAGHRABI IS THAT COMPANIES WILL BE DEALING DIRECTLY WITH RCC REPRESENTATIVE WHO APPEARS TO HAVE AUTHORITY TO NEGOTIATE COMPREHENSIVE SETTLEMENT.

9. DEVELOPMENT UNRELATED TO FOREGOING, BUT BEARING ON NEGOTIATIONS IS ARRIVAL IN TRIPOLI THIS WEEK OF ABDULLA TARIQI, FORMER SAUDI MINPET AND SPOKESMAN FOR RADICAL ARAB VIEWPOINT ON OIL. TARIQI REPORTEDLY HAS BEEN RETAINED BY LARG AS ADVISER TO NEGOTIATING COMMITTEE AT ORDER OF RCC PRESIDENT QADHAAFI. INDUSTRY SOURCE STATES TARAQI HAS BEEN CLOSETED WITH MAGHRABI FOR PAST TWO DAYS. GP-4.

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